

VENPOWER LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

To The Shareholders

The earnings for the six months ended December 31, 1970 were \$82,033 or 2.8¢ per share compared to \$138,389 or 4.8¢ per share. The reduction was caused by a combination of reduced income arising from the freeing of the Canadian dollar, increased depreciation and extraordinary expense. This last item was due to the renegotiation of the Municipal contracts as explained in the annual report. Both contracts have been signed, resulting in a reduction in revenue of approximately 14%.

Negotiations are still proceeding with the Venezuelan Government Power Commission for the sale of the Company's assets. Management is proceeding to set up an arbitration basis with the Commission to bring this matter to fruition. Final decision on the sale price of the Company's assets will be submitted to shareholders for approval.

February 26, 1971

C. W. LEONARDI
President

CONSOLIDATED STATEMENT OF EARNINGS

For the six months ended Dec. 31, 1970
(With comparative figures for 1969)

	1970	1969
REVENUE		
Sale of power	\$ 536,769	\$ 570,666
Miscellaneous	36,393	35,905
	<u>\$ 573,162</u>	<u>\$ 606,571</u>
EXPENSES		
Operating and administrative	\$ 243,901	\$ 252,069
Provision for depreciation	194,312	166,664
Legal fees	2,392	6,303
	<u>\$ 440,605</u>	<u>\$ 425,036</u>
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY EXPENSES	\$ 132,557	\$ 181,535
Foreign income taxes	31,090	43,146
NET EARNINGS BEFORE EXTRAORDINARY EXPENSES	\$ 101,467	\$ 138,389
Extraordinary expense	19,434	—
NET EARNINGS FOR THE PERIOD	<u>\$ 82,033</u>	<u>\$ 138,389</u>
EARNINGS PER SHARE		
Before extraordinary expense	3.5¢	4.8¢
After extraordinary expense	2.8¢	4.8¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the six months ended Dec. 31, 1970
(With comparative figures for 1969)

	1970	1969
SOURCE OF FUNDS		
From operations		
Net earnings for the period	\$ 82,033	\$ 138,389
Provision for depreciation	194,312	166,664
TOTAL FUNDS FROM OPERATIONS	<u>\$ 276,345</u>	<u>\$ 305,053</u>
APPLICATION OF FUNDS		
Decrease (increase) in unrealized foreign exchange	\$ 20,643	\$ (6,836)
Decrease (increase) in employees' severance indemnities	1,167	(5,277)
Financing expenses deferred	12,716	—
Reduction of long term notes payable	—	7,142
Additions to fixed assets	14,152	387,878
	<u>\$ 48,678</u>	<u>\$ 382,907</u>
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 227,667	\$ (77,854)
WORKING CAPITAL, JULY 1	781,312	678,886
WORKING CAPITAL DECEMBER 31	<u>\$ 1,008,979</u>	<u>\$ 601,032</u>

VENPOWER LIMITED
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INTERIM REPORT
DECEMBER 31, 1970